

REGISTRAR

2941030

AgRESERVES LIMITED
FOR THE YEAR ENDED 31ST DECEMBER 1996

MARTIN & ACOCK
CHARTERED ACCOUNTANTS
NORWICH



AgRESERVES LIMITED

DIRECTORS

John W Creer
Karl F Keeler
Keith Broadway
Thomas Rueckert
Clive Jolliffe

SECRETARY

Keith Broadway
Thomas Rueckert

REGISTERED OFFICE

751 Warwick Road
Solihull
West Midlands
B91 3DQ

REGISTERED NUMBER

2947030

AgRESERVES LIMITED

REPORT OF THE DIRECTORS

The directors submit their annual report and the audited accounts for the year ended 31 December 1996.

RESULTS AND DIVIDENDS

The profit for the year, after taxation, amounted to £265,195.

REVIEW OF THE BUSINESS AND FUTURE DEVELOPMENTS

The company's principal activity during the year continued to be arable and dairy farming.

The company operates a policy of generating the highest profit feasible from efficient farming techniques utilising the latest technology whilst ensuring the appearance and upkeep of the farm land and buildings are maintained to a high standard.

This policy was successfully implemented this year with all crops performing on a par with, or above, expectations. As a result, the set up costs incurred in the period to 31 December 1995 have now been absorbed.

The directors are committed to maintaining the upward trend in the company's performance and are confident that the company will continue to be profitable in succeeding years.

DIRECTORS

The directors of the company during the year, and their interest in the share capital of the company were as follows:

	<u>1996</u>	<u>1995</u>
	£	£
John W Creer	-	-
Karl F Keeler	-	-
Keith Broadway	-	-
Thomas Rueckert	-	-
Clive Jolliffe	-	-

Thomas Rueckert and Clive Jolliffe, who were appointed directors on 9 September 1996, retire from the board at the annual general meeting and, being eligible, offer themselves for re-election.

DONATIONS

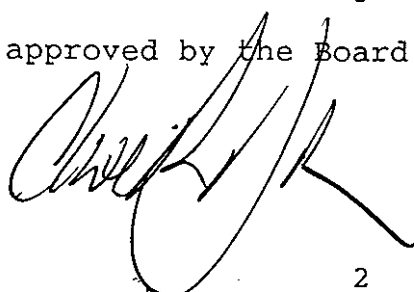
The company made charitable donations of £371,393 (1995: £NIL) during the year.

AUDITORS

In accordance with Section 385 of the Companies Act 1985 a resolution proposing the re-appointment of Martin & Acock as auditors to the company will be put to the annual general meeting.

This report was approved by the Board on 24th September 1997.

C.R. Jolliffe
Director



STATEMENT OF DIRECTORS' RESPONSIBILITIES

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing those financial statements, the directors are required to

- (i) select suitable accounting policies and then apply them consistently;
- (ii) make judgements and estimates that are reasonable and prudent;
- (iii) state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- (iv) prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

AgRESERVES LIMITED

AUDITORS' REPORT TO AgRESERVES LIMITED

PURSUANT TO SECTION 247B OF THE COMPANIES ACT 1985

We have examined the abbreviated accounts set out on pages 5 to 17 together with the financial statements of AgReserves Limited prepared under section 226 of the Companies Act 1985 for the year ended 31 December 1996.

Respective responsibilities of directors and auditors

The directors are responsible for preparing the abbreviated accounts in accordance with section 246A of the Companies Act 1985. It is our responsibility to form an independent opinion as to whether the company is entitled to deliver abbreviated accounts prepared in accordance with sections 246A(3) of the Act to the registrar of companies and whether the accounts to be delivered are properly prepared in accordance with those provisions and to report our opinion to you.

Basis of opinion

We have carried out the procedures we considered necessary to confirm, by reference to the audited financial statements, that the company is entitled to the exemptions and that the abbreviated accounts have been properly prepared from those financial statements. The scope of our work for the purpose of this report does not include examining or dealing with events after the date of our report on the full financial statements.

Opinion

In our opinion the company is entitled to deliver abbreviated accounts in accordance with section 246A(3) of the Companies Act 1985 and the abbreviated accounts on pages 5 to 17 are properly prepared in accordance with that provision.

Martin and Acock

MARTIN & ACOCK
Chartered Accountants
Registered Auditor

2 The Close
Norwich
NR1 4DJ

24 September 1997

AqRESERVES LIMITEDPROFIT AND LOSS ACCOUNTFOR THE YEAR ENDED 31 DECEMBER 1996

		<u>1996</u>	<u>3 October 1994 to 31 December 1995</u>
		£	£
GROSS PROFIT	2	1,176,592	366,462
Machinery costs		385,537	325,655
Administrative expenses		137,655	324,883
		<hr/>	<hr/>
		(523,192)	(650,538)
Other operating income		51,266	11,559
		<hr/>	<hr/>
OPERATING PROFIT/(LOSS)	3	704,666	(272,517)
Profit on sale of Milk Quota		26,325	-
Profit on sale of fixed assets		15,186	9,145
Amounts written off investments	11	(47,227)	-
Other interest receivable and similar income	6	11,569	3,983
Interest payable and similar charges	7	-	(1,045)
Charitable payment		(371,393)	-
		<hr/>	<hr/>
		(365,540)	12,083
PROFIT/(LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION	2	339,126	(260,434)
Tax on profit/(loss) on ordinary activities	8	(73,931)	-
		<hr/>	<hr/>
RETAINED PROFIT/(LOSS) FOR THE FINANCIAL YEAR/PERIOD	18	£ 265,195	£ (260,434)
		<hr/>	<hr/>

The company had no recognised gains or losses other than the profit/(loss) for the year/period as reported above.

Turnover and operating profit were derived wholly from continuing activities.

AqRESERVES LIMITED

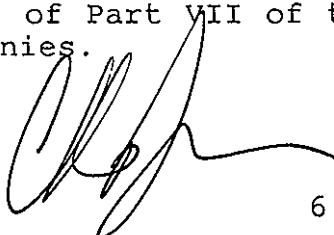
BALANCE SHEET AS AT 31 DECEMBER 1996

	Note	£	1996	£	1995	£
FIXED ASSETS						
Intangible assets	9		320,514		295,427	
Tangible assets	10		832,248		773,704	
Investments	11		3,525,455		3,567,506	
			<hr/>		<hr/>	
			4,678,217		4,636,637	
CURRENT ASSETS						
Stocks	12	1,486,701		959,443		
Debtors	13	210,470		1,182,557		
Cash at bank and in hand		482,127		184,347		
		<hr/>		<hr/>		
			2,179,298		2,326,347	
CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR	14	(1,135,383)		(1,490,751)		
		<hr/>		<hr/>		
NET CURRENT ASSETS			1,043,915		835,596	
TOTAL ASSETS LESS CURRENT LIABILITIES						
			<hr/>		<hr/>	
			5,722,132		5,472,233	
CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR						
	14	-		32,667		
PROVISION FOR LIABILITIES AND CHARGES						
Deferred taxation	15	17,371		-		
		<hr/>	(17,371)	<hr/>	(32,667)	
			<hr/>		<hr/>	
			£ 5,704,761		£ 5,439,566	
CAPITAL AND RESERVES						
Called up share capital	16	1,000,000		1,000,000		
Capital reserve	17	4,700,000		4,700,000		
Profit and loss account	18	4,761		(260,434)		
		<hr/>	5,704,761	<hr/>	5,439,566	
EQUITY SHAREHOLDERS' FUNDS						
	19		£ 5,704,761		£ 5,439,566	
			<hr/>		<hr/>	

The directors have taken advantage of the exemptions conferred by Section B of Part III of Schedule 8 to the Companies Act 1985 on the grounds that the company is entitled to the benefit of those exemptions as a medium sized company.

The financial statements have been prepared in accordance with the special provisions of Part VII of the Companies Act 1985 relating to medium sized companies.

C.R. Jolliffe
Director



AqRESERVES LIMITEDCASH FLOW STATEMENTFOR THE YEAR ENDED 31 DECEMBER 1996

	<u>1996</u>	<u>3 October 1994 to 31 December 1995</u>
	£	£
Net cash inflow/(outflow) from operating activities	840,951	(1,109,962)
Returns on investments and servicing of finance		
Interest received	11,569	3,983
Interest paid	-	(1,045)
	<hr/>	<hr/>
Net cash inflow from returns on investments and servicing of finance	11,569	2,938
Investing activities		
Purchase of intangible fixed assets	(51,412)	(295,427)
Receipts from the sale of intangible fixed assets	52,650	-
Purchase of tangible fixed assets	(272,847)	(1,026,898)
Receipts from sales of tangible fixed assets	59,075	171,752
Purchase of investments	(309,540)	(3,258,056)
	<hr/>	<hr/>
Net cash (outflow) from investing activities	(522,074)	(4,408,629)
	<hr/>	<hr/>
Net cash inflow/(outflow) before financing	330,446	(5,515,653)
Financing		
Issue of share capital	-	1,000,000
Capital element of finance lease rental payments	(32,666)	-
Funding provided by group	-	4,700,000
	<hr/>	<hr/>
Net cash (outflow)/inflow from financing	(32,666)	5,700,000
	<hr/>	<hr/>
Increase in cash and cash equivalents	£ 297,780	£ 184,347
	<hr/>	<hr/>

NOTES TO THE CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 1996

	<u>1996</u>	<u>3 October 1994 to 31 December 1995</u>
	£	£
1. RECONCILIATION OF OPERATING PROFIT TO NET CASH INFLOW FROM OPERATING ACTIVITIES		
Operating profit/(loss)	704,666	(272,517)
Depreciation charges	170,414	155,920
Issue of free shares	(5,176)	-
(Increase) in stock	(527,258)	(959,443)
Decrease/(increase) in debtors	972,087	(1,182,557)
(Decrease)/increase in creditors	(102,389)	1,148,635
Donations	(371,393)	-
Net cash inflow/(outflow) from operating activities	£ 840,951	£(1,109,962)

	<u>1996</u>	<u>3 October 1994 to 31 December 1995</u>
	£	£
2. ANALYSIS OF CHANGES IN CASH AND CASH EQUIVALENTS DURING THE YEAR		
Balance at 1 January 1996	184,347	-
Net cash inflow	297,780	184,347
Balance at 31 December 1996	£ 482,127	£ 184,347

	<u>1996</u>	<u>1995</u>	<u>Change in year</u>
	£	£	£
3. ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS AS SHOWN IN THE BALANCE SHEET			
Cash at bank and in hand	£ 482,127	£ 184,347	£ 297,780

	<u>1996</u>	<u>1995</u>	<u>1996</u>	<u>1995</u>
	£	£	£	£
4. ANALYSIS OF CHANGES IN FINANCING DURING THE YEAR				
	Share capital and Capital Reserve	Loans and finance lease obligations		
Balance at 1 January 1996	5,700,000	-	65,333	-
Net cash (outflow) from financing	-	-	(32,666)	-
Issue of shares	-	1,000,000	-	-
Inception of finance lease contracts	-	-	-	65,333
Funding provided by group	-	4,700,000	-	-
Balance at 31 December 1996	£5,700,000	£5,700,000	£32,667	£65,333

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 31 DECEMBER 1996

1. PRINCIPAL ACCOUNTING POLICIES

As in previous years, the accounts are prepared in accordance with the historical cost convention and in accordance with applicable accounting standards. The following is a summary of the more important accounting policies used by the company.

- a) TURNOVER represents the total amount charged to customers for goods supplied and services rendered, excluding VAT.
- b) DEFERRED TAXATION is provided on the liability method on all timing differences, except for those which are not expected to reverse in the future.
- c) INTANGIBLE FIXED ASSETS. Milk quotas are stated at cost.
- d) TANGIBLE FIXED ASSETS are stated at cost less accumulated depreciation thereon.

DEPRECIATION on tangible fixed assets is calculated to write-off the cost less estimated residual value over the expected useful economic lives of the assets concerned. The principal annual rates used for this purpose, which are consistent with those of the previous year, are:

Farm building	
improvements and drainage	straight line over 5 to 20 years
Plant and machinery	straight line over 5 to 10 years
Motor vehicles	straight line over 3 to 10 years
Fixtures, fittings, tools	
and equipment	straight line over 5 years

- e) STOCKS are stated at the lower of cost and net realisable value.

Net realisable value is based on estimated selling price less further costs expected to be incurred to completion and disposal.

- f) Assets obtained under FINANCE LEASES AND HIRE PURCHASE CONTRACTS are capitalised in the balance sheet and are depreciated over their useful lives or, in the case of finance leases, over the total lease term if shorter.

The interest element of the rental obligations is charged to the profit and loss account over the period of the lease and represents a constant proportion of the balance of capital repayments outstanding.

Rentals paid under operating leases are charged to income on a straight-line basis over the lease term.

NOTES TO THE ACCOUNTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 1996

g) The costs of providing PENSIONS for employees are charged in the profit and loss account over the average working life of employees in accordance with the recommendations of qualified actuaries. Any funding surplus or deficit which may arise from time to time is amortised over the average working life of employees.

h) AREA AID INCOME is recognised in the profit and loss account when the underlying crops are sold.

Set aside income is recognised on a receipts basis. This represents a change in accounting policy since 31 December 1995 when, for harvested crops which remained unsold, set aside was treated as deferred income in the balance sheet. The directors consider the revised policy does not have a material effect on the stated profit for the year.

2. GROSS PROFIT AND PROFIT/(LOSS) BEFORE TAXATION

These derive from the company's principal activity within the U.K.

	<u>1996</u>	<u>1995</u>
	£	£
3. OPERATING PROFIT/(LOSS) IS STATED AFTER CHARGING		
Directors' remuneration	43,558	-
Auditors' remuneration	8,000	10,000
Depreciation	170,414	155,920
Operating lease rentals:		
Plant and machinery	39,130	42,891
Land and buildings	258,400	258,400

	<u>1996</u>	<u>1995</u>
	£	£
4. DIRECTORS' REMUNERATION		
Salary	37,000	-
Other emoluments (including pension contributions)	6,558	-
	<hr/>	<hr/>
	£ 43,558	£ -
	<hr/>	<hr/>

Only one director received remuneration during the year.

NOTES TO THE ACCOUNTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 1996

	<u>1996</u> £	<u>1995</u> £
5. STAFF COSTS		
Wages and salaries	363,030	278,608
Social security costs	24,207	23,217
Other pension costs	18,075	14,996
	<hr/>	<hr/>
	£ 405,312	£ 316,821
	<hr/>	<hr/>

The average number of employees during the year was made up as follows:

	<u>1996</u>	<u>1995</u>
Farming	13	12
Office and management	5	6
	<hr/>	<hr/>
	18	18
	<hr/>	<hr/>

	<u>1996</u> £	<u>1995</u> £
6. INTEREST RECEIVABLE AND SIMILAR INCOME		
Bank deposit accounts	11,569	3,983
	<hr/>	<hr/>
	£ 11,569	£ 3,983
	<hr/>	<hr/>

	<u>1996</u> £	<u>1995</u> £
7. INTEREST PAYABLE AND SIMILAR CHARGES		
Finance charges - hire purchase and finance leases	-	1,045
	<hr/>	<hr/>
	£ -	£ 1,045
	<hr/>	<hr/>

	<u>1996</u> £	<u>1995</u> £
8. TAX ON PROFIT/(LOSS) ON ORDINARY ACTIVITIES		
Based on the profit for the year:		
Corporation tax	56,560	-
Deferred taxation	17,371	-
	<hr/>	<hr/>
	£ 73,931	£ -
	<hr/>	<hr/>

NOTES TO THE ACCOUNTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 1996

	<u>1996</u> £	<u>1995</u> £	
9. INTANGIBLE ASSETS			
Milk Quota:			
Balance at 1 January 1996	295,427	-	
Additions	51,412	295,427	
Disposals	(26,325)	-	
	<hr/>	<hr/>	
Balance at 31 December 1996	£ 320,514	£ 295,427	
	<hr/>	<hr/>	
10. TANGIBLE FIXED ASSETS			
	<u>Buildings and Improvements</u> £	<u>Motor Vehicles, Plant and Machinery</u> £	<u>Total</u> £
Cost			
At 1 January 1996	23,392	882,209	905,601
Additions	21,321	251,526	272,847
Disposals	-	(60,850)	(60,850)
	<hr/>	<hr/>	<hr/>
At 31 December 1996	£ 44,713	1,072,885	1,117,598
Depreciation			
At 1 January 1996	2,902	128,995	131,897
Provided during the year	4,868	165,546	170,414
Eliminated on disposals	-	(16,961)	(16,961)
	<hr/>	<hr/>	<hr/>
At 31 December 1996	£ 7,770	277,580	285,350
Net book value			
At 31 December 1996	£ 36,943	795,305	832,248
	<hr/>	<hr/>	<hr/>
At 31 December 1995	£ 20,490	753,214	773,704

NOTES TO THE ACCOUNTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 1996

11. FIXED ASSET INVESTMENTS

	Shares in Subsidiary Undertaking	Investments	Total
	£	£	£
Cost			
At 1 January 1996	3,567,506	-	3,567,506
Additions	-	5,176	5,176
Professional fees written off	(47,227)	-	(47,227)
	<hr/>		
At 31 December 1996	£ 3,520,279	5,176	3,525,455
	<hr/>		
Net book value			
Listed in UK	-	5,176	5,176
Unlisted	£ 3,520,279	-	3,520,279
	<hr/>		
At 31 December 1996	£ 3,520,279	5,176	3,525,455
	<hr/>		
Unlisted	3,567,506	-	3,567,506
	<hr/>		
At 31 December 1995	£ 3,567,506	-	3,567,506
	<hr/>		

In the opinion of the directors the aggregate value of the company's investment in subsidiary undertakings is not less than the amount included in the balance sheet.

Market value of listed investments:

The market value of listed investments as at 31 December 1996 was £6,563 (1995: £Nil).

NOTES TO THE ACCOUNTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 1996

11. FIXED ASSET INVESTMENTS (CONTINUED)

The company holds more than 10% of the share capital of the following companies:

<u>Company</u>	<u>Country of incorporation/ registration</u>	<u>Shares held Class %</u>
Subsidiary undertakings		
Hallsworth		
(Farmland Trust) Ltd	England and Wales	Ordinary 100

Hallsworth (Farmland Trust) Limited which has a coterminous year end had the following capital and reserves and result for the financial year ended 31 December 1996.

<u>Capital and reserves</u>	<u>Loss for the year</u>
£2,928,745	£ (15,265)

The accounts present information about the company as an individual undertaking and not about its group, as the company has taken advantage of the exemption provided by section 248 of the Companies Act 1985 not to prepare group accounts.

12. STOCKS

	<u>1996</u>	<u>1995</u>
	£	£
Stored crops	722,935	340,371
Consumables	168,899	144,178
Cultivations	457,192	335,215
Heifers	49,337	56,338
Dairy Herd	88,338	83,341
	<hr/>	<hr/>
	£ 1,486,701	£ 959,443

13. DEBTORS

	<u>1996</u>	<u>1995</u>
	£	£
Due within one year:		
Trade debtors	122,695	258,911
Amounts owed by group undertakings	47,206	841,713
Other debtors	26,766	81,633
Prepayments and accrued income	13,803	300
	<hr/>	<hr/>
	£ 210,470	£ 1,182,557

NOTES TO THE ACCOUNTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 1996

14. CREDITORS

	Falling due within one year		Falling due after more than one year	
	<u>1996</u>	<u>1995</u>	<u>1996</u>	<u>1995</u>
	£	£	£	£
H P and finance leases	32,667	32,666	-	32,667
Trade creditors	34,397	50,619	-	-
Amounts owed to parent undertaking and fellow subsidiary undertakings	624,352	802,548	-	-
Corporation tax	56,560	-	-	-
Other taxes and social security costs	47,799	7,890	-	-
Other creditors	39,854	326,271	-	-
Accruals	299,754	270,757	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
	£ 1,135,383	£ 1,490,751	£ -	£ 32,667
	<hr/>	<hr/>	<hr/>	<hr/>

Obligations under finance leases and hire purchase arrangements are secured on the underlying assets.

15. DEFERRED TAXATION

Provision has been made for the full potential liability, as follows:

Deferred taxation provided in the accounts, and the amounts of deferred taxation for which provision is not made, are as follows:

	Amounts not provided		Provision	
	<u>1996</u>	<u>1995</u>	<u>1996</u>	<u>1995</u>
	£	£	£	£
Capital allowances in advance of depreciation	£ -	£ -	£ 17,371	£ -
	<hr/>	<hr/>	<hr/>	<hr/>

NOTES TO THE ACCOUNTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 1996

	<u>1996</u> £	<u>1995</u> £
16. SHARE CAPITAL		
Authorised Ordinary shares of £1 each	£ 2,000,000	£ 2,000,000
Allotted, called up and fully paid Ordinary shares of £1 each	£ 1,000,000	£ 1,000,000
	<u>1996</u> £	<u>1995</u> £
17. CAPITAL RESERVE		
At 1 January 1996 and at 31 December 1996	£ 4,700,000	£ 4,700,000
	<u>1996</u> £	<u>1995</u> £
18. PROFIT AND LOSS ACCOUNT		
At 1 January 1996	(260,434)	-
Profit/(loss) for the year/period	265,195	(260,434)
At 31 December 1996	£ 4,761	£ (260,434)
	<u>1996</u> £	<u>1995</u> £
19. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS		
Profit/(loss) for the financial year/period	265,195	(260,434)
New share capital subscribed	-	1,000,000
Funding provided by group	-	4,700,000
Net addition to shareholders' funds	265,195	5,439,566
Opening shareholders' funds	5,439,566	-
Closing shareholders' funds	£ 5,704,761	£ 5,439,566

NOTES TO THE ACCOUNTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 1996

	1996		1995	
	<u>Land and</u>	<u>Other</u>	<u>Land and</u>	<u>Other</u>
	<u>Buildings</u>		<u>Buildings</u>	
	£	£	£	£
20. OPERATING LEASES				
The company is committed to making the following payments in the coming year in respect of commitments which expire:				
After more than five years	£ 258,757	£ -	£ 258,400	£ -

21. PENSION COMMITMENTS

The company is part of a group scheme operating a pension plan based on final pensionable earnings. The assets of the Plan are held in a separate trustee administered fund. Contributions charged to the revenue account are calculated so as to spread the cost of pensions over the employees' working lives with the company. The contributions are determined by a qualified actuary using the projected unit method.

The latest actuarial valuation of the Plan was as at 1 January 1994. The assumptions having the most significant effect on the valuation results were that investment returns would be 9% and that pensionable earnings increases would average 7.5%pa. The valuation showed that the market value of the Plan's assets was £4,851,000 and that the actuarial value of those assets represented 107% of the benefits that had accrued to members, after allowing for expected future increases in pensionable earnings.

The pension charged for the period was £18,075, which included allowance for the amortisation of experience surpluses. These are being recognised over 12 years, the average remaining service lives of employees.

22. ULTIMATE PARENT UNDERTAKING

The company's ultimate joint parent undertakings are the Corporation of the President of the Church of Jesus Christ of Latter-Day Saints and the Corporation of the Presiding Bishopric, both corporations being incorporated in the State of Utah.

23. APPROVAL OF FINANCIAL STATEMENTS

These financial statements were approved by the board of directors on 24th September 1997.